



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Facts about the TSP's Mutual Fund Window

June 2022

On June 1, 2022, the Federal Retirement Thrift Investment Board launched a mutual fund window (MFW) for Thrift Savings Plan (TSP) participants.

Highlights:

- The use of the MFW is entirely *voluntary*. TSP participants will remain invested in the same five core Funds and the 10 target date funds that the TSP currently offers unless they *choose* to invest in a mutual fund through the MFW.
- The MFW offers roughly 5,000 mutual funds in roughly 300 mutual fund families, including those offered by Fidelity, T. Rowe Price, and Vanguard. For funds with multiple classes, the lowest expense ratio class is offered.
- To exercise this option, participants must log into their TSP account and then open a MFW account before they can transfer money from their TSP account through the MFW and select the mutual fund(s) in which they choose to invest.
- All the mutual funds on the platform *comply with all applicable U.S. laws and regulations*, including those promulgated by the Securities and Exchange Commission (SEC) and the Office of Foreign Assets Control (OFAC). The mutual funds on the TSP MFW platform will follow the same rules applicable to any other mutual fund offered in any other public or private retirement plan in the United States.
- The mutual funds available on the MFW platform have not been reviewed by TSP fiduciaries to determine whether they are wise investments for any individual TSP participant. This means that *participants must carefully review the prospectus* for each mutual fund and decide which ones will meet their investment goals, as they would if choosing a mutual fund outside the MFW.
- TSP participants who *choose* to avail themselves of the MFW will be able to use a Morningstar-developed search tool to find mutual funds that meet their specific investment interests. They will be able, and in fact encouraged, to review any mutual fund's prospectus before investing to have a thorough understanding of the fund's goals and investments.
- In accordance with the statutory requirement that TSP participants using the MFW bear the cost of the MFW, all TSP participants electing to invest in the MFW would incur additional fees: an administrative fee of \$55 annually; an annual maintenance fee of \$95; a per trade fee of \$28.75; and any fees and expenses imposed by the specific mutual fund(s) in which they invest.
- To be eligible to invest in the MFW, a participant's minimum initial transfer must be \$10,000 and the investments through the window can equal no more than 25% of the participant's TSP account value.
- The funds that a federal employee or member of the uniform services uses to invest in the TSP or the MFW are personal property, not federal funds. Once a Federal employee or member of the uniformed services deposits their paycheck in the bank, it is theirs and not subject to Federal control. Money from TSP participants' paychecks invested in the TSP is exactly the same; it is their personal property and they have property rights under the law.
- Any Federal employee or member of the uniformed services can, and *has always been able to*, invest in any mutual fund *outside of their TSP account* through any mutual fund provider.

Background:

- In 2009, Congress authorized the FRTIB to offer a mutual fund window to TSP participants as a means of providing optional investment choices for our participants. Congress explained its rationale for this decision:

The bill would authorize the Board to create additional self-directed investment options, including additional index funds, provided that the costs of such options are borne solely by the participants who use such options and after consultation with affected employee organizations.

The Committee believes the authority to add self-directed investment options under the Thrift Savings Plan will enable the Board to serve the best interests of participants by making available low cost index funds that offer important diversification benefits. Since it is unlikely any fixed asset allocation or fixed set of asset classes will satisfy the requirements of every investor, the authority to add appropriate self-directed investment options may enable participants to access the full set of core asset classes optimal in their own financial circumstances.

The Committee recognizes some investors today have sophisticated or specialized investment needs. Participants may want added diversity by investing in funds comprised of real estate investment trusts, emerging markets, or inflation-protected bonds. Other participants may want to align their portfolio with their personal convictions by investing in socially responsible funds. The self-directed investment options are intended to provide a vehicle for meeting these needs of plan participants without complicating the basic structure of the Thrift Savings Plan.

Thrift Savings Plan Enhancement Act of 2009, H. Rept. 111–58 Part 2, P.L. 111-31, Division B

- The FRTIB and the Employee Thrift Advisory Council debated the mutual fund window in 2009 and 2015, and the Board approved the addition of a MFW in 2015.
- The Board issued a solicitation for a new recordkeeper that could also provide a mutual fund window in June 2018. In November of 2020, the FRTIB awarded a contract for a new recordkeeper; that contract included a MFW that would be offered to TSP participants.
- On January 26, 2022, the FRTIB published draft regulations in the *Federal Register* regarding the MFW; the comment period was open for sixty days. The FRTIB received 100 comments from TSP participants and stakeholders. The final regulations were published on May 10, 2022.
- The mutual funds on the platform are subject to the same rules and regs as all other investments. Specifically, to the extent that a comprehensive ban on investing in one or more countries or companies is issued by OFAC, that country or company would be ineligible for trading by any US person, and thereby, eliminated from every U.S. mutual fund. In addition, no U.S. investor could invest in those countries or companies. To the extent any Chinese company's stock is present in any U.S. person's portfolio, whether in a SEC registered mutual fund or an individual investor's account, it is because OFAC has not designated that company as ineligible.
 - The OFAC, located with the Department of the Treasury, enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.